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**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:

CELSIUS NETWORK LLC, *et al.*,¹

Debtors.

)
) Chapter 11
)
) Case No. 22-10964 (MG)
)
) (Jointly Administered)
)

**SUPPLEMENTAL DECLARATION OF
OREN BLONSTEIN, HEAD OF INNOVATION AND
CHIEF COMPLIANCE OFFICER OF CELSIUS NETWORK
LIMITED, WITH RESPECT TO THE CUSTODY AND WITHHOLD ISSUES**

I, Oren Blonstein, Head of Innovation and Chief Compliance Officer of Celsius Network Limited (together with the above-captioned debtors and debtors in possession, the “Debtors”) and certain of its Debtor affiliates (collectively, with their non-Debtor Affiliates, “Celsius” or the “Company”), hereby declare under penalty of perjury:

1. I am the Head of Innovation and Chief Compliance Officer of Celsius Network Limited and certain of its subsidiaries. I have held the position of Head of Innovation since

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are: Celsius Network LLC (2148); Celsius KeyFi LLC (4414); Celsius Lending LLC (8417); Celsius Mining LLC (1387); Celsius Network Inc. (1219); Celsius Network Limited (8554); Celsius Networks Lending LLC (3390); and Celsius US Holding LLC (7956). The location of Debtor Celsius Network LLC’s principal place of business and the Debtors’ service address in these chapter 11 cases is 50 Harrison Street, Suite 209F, Hoboken, New Jersey 07030.

February 2021 and Chief Compliance Officer since September 2021. I have worked for over twenty years in product management, operations, and compliance roles. Immediately prior to joining Celsius, I served as an Advisor to Ava Labs, the operator of the Avalanche blockchain and smart contract platform and issuer of the AVAX token. Previously, I also served as Product, Operations, and Compliance Consultant at several FinTech and Crypto companies. I also served in several capacities at HBUS, the operator of the Huobi U.S. digital currency trading platform, from January 2019 to December 2019, with my final position being Chief Executive Officer, and Acting Chief Compliance Officer. Prior to that, I also served in several capacities at Tora Trading Services, a provider of advanced investment management technologies for trading and portfolio management companies, with my final position being Managing Director, Product Management & Production Support, from August 2006 to January 2019.

2. I am generally familiar with the Debtors' day-to-day operations, business, and custody and withhold services. Except as otherwise indicated, all facts in this declaration (this "Declaration") are based upon my personal knowledge, my discussions with other members of Celsius' management team and advisors, my review of relevant documents and information concerning Celsius' operations, or my opinions based upon my experience and knowledge. I am over the age of 18 and authorized to submit this declaration on behalf of the Debtors. If called upon to testify, I could and would testify competently to the facts set forth in this declaration.

3. On October 25, 2022, I submitted the *Declaration of Oren Blonstein, Head of Innovation and Chief Compliance Officer of Celsius Network Limited, with Respect to Certain Phase I Issues Pursuant to the Joint Stipulation and Agreed Scheduling Order by and Among the Debtors, the Committee, and the Ad Hoc Groups with Respect to the Custody and Withhold Issues* [Docket No. 1192] (the "Initial Declaration") in connection with the briefing of certain Phase I

Issues pursuant to the *Joint Stipulation and Agreed Scheduling Order By and Among the Debtors, the Committee, and the Ad Hoc Groups With Respect to the Custody and Withhold Issues* [Docket No. 1044] (the “Scheduling Order”).² Contemporaneously herewith, I submitted the *Supplemental Declaration of Oren Blonstein, Head of Innovation and Chief Compliance Officer of Celsius Network Limited, with Respect to Certain Phase I Issues Pursuant to the Joint Stipulation and Agreed Scheduling Order by and Among the Debtors, the Committee, and the Ad Hoc Groups with Respect to the Custody and Withhold Issues* (the “Supplemental Declaration”) to correct certain errors discovered with respect to the coin exhibit attached to the Initial Declaration.

4. In advance of the hearing on the *Debtors’ Motion Seeking Entry of an Order (I) Authorizing the Debtors to Reopen Withdrawals for Certain Customers with Respect to Certain Assets Held in the Custody Program and Withhold Accounts and (II) Granting Related Relief* [Docket No. 670] and the Phase I Issues (as defined in the Scheduling Order) (the “Hearing”), I understand that the Debtors, the official committee of unsecured creditors, the Ad Hoc Group of Custodial Holders, and the Ad Hoc Group of Withhold Account Holders (collectively, the “Parties”) agreed to have me answer certain additional questions in the form of this Declaration. Such questions, and responses thereto, are set forth below.

i. Elaborate how Withhold Accounts “keep [] digital asset transfers distinct from assets relating to those in the Custody Program or Earn Program.”

5. Celsius kept digital asset transfers into Withhold Accounts distinct from assets relating to those in the Custody Program or Earn Program by maintaining a record on its ledger of customer Withhold Account balances.

² Capitalized terms used but not otherwise defined herein shall the meanings ascribed to them in the Initial Declaration or the Scheduling Order, as applicable.

6. Celsius' internal system for keeping track of account holders' balances was primarily based on its ledger, which accounted for both increases and decreases in each customer's account balance. This internal ledger system was not based on tracking the movement of digital assets in Celsius' wallets held at Fireblocks. In practice, when an account holder sought to transfer digital assets balances between Celsius' programs, Celsius processed such a request by adjusting corresponding liabilities on Celsius' books (also referred to as its ledger) as between such programs, but that did not necessarily correspond with a movement of digital assets. Instead, digital assets would move within Celsius' wallets held at Fireblocks on an aggregated basis to reflect liability movements as part of Celsius' reconciliation process, as further described in the Initial Declaration.

7. Digital assets associated with Withhold Accounts were not held in any specific Withhold Wallet but were commingled and transferred into Celsius' wallets and used across Celsius' platform along with other digital assets transferred to Celsius' platform. Digital asset transfers associated with Withhold Accounts were, as such, kept distinct solely by maintaining a record on Celsius' ledger of customer Withhold Account balances.

ii. Were assets transferred to Celsius that were associated with Withhold Accounts commingled in Aggregator Wallets and/or deployed?

8. Digital assets associated with Withhold Accounts were not held in any specific Withhold Wallet but were commingled and transferred into Celsius' wallets, including the Aggregator Wallets. Additionally, digital assets associated with Withhold Accounts were used and deployed across Celsius' platform along with other digital assets transferred to Celsius' platform.

iii. Did users in Prohibited States have to first select to move digital assets from their Earn Account to the Withhold Accounts as part of the withdrawal process? If so, why and did any coins move as a result of that selection to move from an Earn Account to a Withhold Account?

9. Generally, withdrawals of digital assets from Celsius' platform were processed from an account holder's default account. A "default account" refers to the account that account holders used to deposit and withdraw digital assets from Celsius' platform, among other functionalities. An account holder's default account differed depending on the account holder's accreditation status and the jurisdiction where the account holder resided. The default account of (a) account holders residing in non-Prohibited States was their Custody Account, (b) non-accredited account holders residing in Prohibited States was their Withhold Account, (c) accredited account holders residing in Prohibited States was their Earn Account, and (d) account holders residing abroad was their Earn Account. As such, non-accredited account holders in Prohibited States were required to move their digital assets from their Earn Accounts to their Withhold Accounts to withdraw funds from Celsius' platform. Accredited account holders in Prohibited States could withdraw digital assets directly from their Earn Accounts.

10. When an account holder transferred a balance associated with her Earn Account to her Withhold Account, Celsius did not necessarily make an immediate or corresponding movement of coins on the blockchain or between wallets. This is because assets associated with an Earn Account and with a Withhold Account are commingled, and there is no Withhold Wallet. Celsius, however, would periodically "top-up" the Frictional Wallet to account for potential withdrawals, as further described in the Initial Declaration.

iv. Could account holders transfer digital assets from Earn Accounts to Custody Accounts following June 12, 2022 (the “Pause”)? If so, did Celsius move coins from Aggregator Wallets to Custody Wallets in response to those transfers?

11. Account holders were not able to transfer digital assets between Earn Accounts and Custody Accounts following the Pause without assistance from authorized Celsius employees.

12. For users residing in a non-Prohibited State, however, digital assets in Earn Accounts were transferred from time to time to Custody Accounts in order for such digital assets to be used to pay off a loan or fulfill a margin call on a loan. Specifically, a user was only permitted to make such payment using digital assets in her default account (as described above). As such, for account holders that resided in a non-Prohibited State, such payment could only be made from that user’s Custody Account. If assets necessary to make that payment were in that user’s Earn Account, that account holder could contact Celsius’ retail loans team to request a transfer to her Custody Account for purposes of paying off a loan or fulfilling a margin call.

13. Additionally, in a scenario where a loan was paid off, pledged collateral that had initially been in a Custody Account was returned to the account holder’s Custody Account (because it originated from there).

14. The transfers described above were changes made to Celsius’ internal ledger only, and any digital asset movement would have been part of the aggregate reconciliation process, as further described in the Initial Declaration.

v. Were any digital assets moved from Aggregator wallets or other wallets to Custody wallets following the Pause? If so, (1) how much, (2) when, and (3) why?

15. Attached to this Declaration as **Exhibit A** are incremental digital assets, on a coin-by-coin basis, that were transferred to Custody Wallets following the Pause and following the Petition Date, by date. Digital assets were transferred to Custody Wallets after the Pause solely to rebalance Custody Wallets in an effort to ensure that Custody Wallets collectively held digital

assets equal to or in excess of the balance of each type of cryptocurrency in the Custody Program (on an aggregated basis) as reflected in the Company's internal ledger, as further explained in the Initial Declaration (such reconciliation process, the "Reconciliation").

vi. Were any digital assets moved from Aggregator wallets or other wallets to Custody wallets following the Petition Date? If so, (1) how much, (2) when, and (3) why?

16. Attached to this Declaration as Exhibit A are incremental digital assets, on a coin-by-coin basis, that were transferred to Custody Wallets following the Pause and following the Petition Date, by date. Digital assets were transferred to Custody Wallets after the Petition Date solely to effectuate the Reconciliation, as further explained in the Initial Declaration.

vii. Why did assets and obligations associated with Custody Accounts and Withhold Accounts fluctuate following the Pause?

17. Liabilities associated with Custody Accounts and Withhold Accounts fluctuated following the Pause due primarily to one or more of the following events:

- digital assets were voluntarily transferred by account holders into Celsius' platform using such account holders' personal wallet addresses (*i.e.*, the bridge wallets), including for the purpose of making interest payments on their outstanding loans;
- digital asset balances that account holders had pledged as collateral for a loan were released back to such Custody Accounts following repayment of the loan in full (where such digital asset balances had initially originated from Custody Accounts);
- for users residing in non-Prohibited states, (a) digital assets balances in Custody Accounts were used to pay off a loan or fulfill a margin call, (b) digital assets balances in Earn Accounts were transferred by the Retail Loan team (as further described above) to Custody Accounts to be used to pay off a loan or fulfill a margin call;
- loans with a loan-to-value ratio greater than eighty percent were liquidated, in accordance with the loans terms of use, as a result of which any excess digital asset balance pledged as collateral was transferred to the account holder's Custody Account or Earn Account, depending on where the pledged balance initially was (subject to a three percent liquidation fee);

- rewards, such as sign-up, referral, and other promotions and/or bonuses, were credited to account holders; and
- the cancellation of the certain pending withdrawals originating from Custody Accounts or Withhold Accounts, as further described in the Initial Declaration.

18. Assets in Custody Wallets fluctuated following the Pause solely as a result of the Reconciliation, as further explained in the Initial Declaration, which, for the avoidance of doubt, would capture the above-described internal ledger balance changes in the aggregate.

19. As explained in the Initial Declaration, there were no Withhold Wallets.

viii. What happened after a Withhold Account user withdrew all of their assets? Describe the process for closing the customer's account.

20. There was no automatic action taken as a result of a Withhold Account user's withdrawal of their entire balance reflected in their Withhold Account.

21. Following a written request by the account holder, closure of accounts was generally handled by Celsius' customer care team.

ix. Did Celsius have a plan in place for how to close accounts and where to return assets if Withhold Account users failed to withdraw?

22. Celsius did not have any plans in place to close an account holder's account if such account holder failed to withdraw the full balance in her Withhold Account.

x. Could balances associated with Withhold Wallets be pledged as collateral for loans?

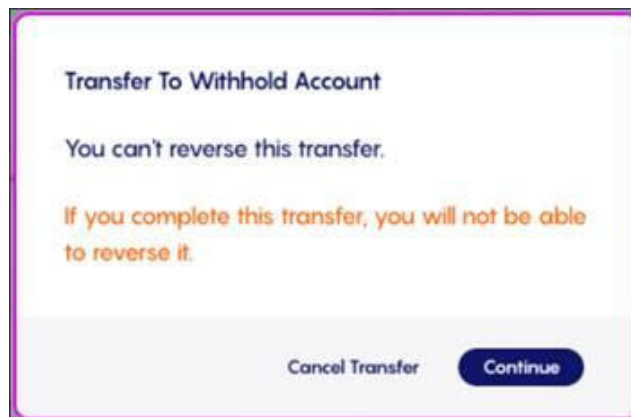
23. No, balances associated with Withhold Accounts could not be pledged as collateral for loans.

- xi. What are the coin assets, coin liabilities and shortfall, on a coin by coin basis, for the Custody Accounts as of: (i) the Pause; (ii) the Petition Date; and (iii) the present time?**

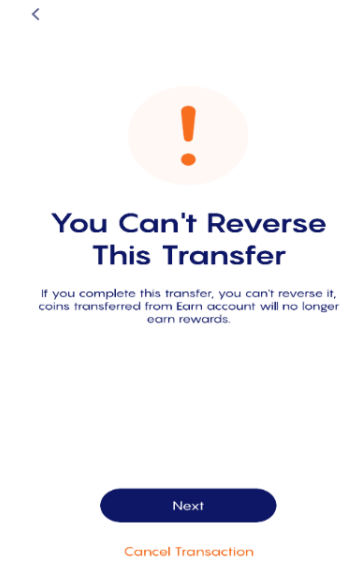
24. **Exhibit B** hereto reflects digital assets in Custody Wallets and balances by coin of custody liabilities reflected in Custody Accounts, and any attendant difference, as of the Pause, the Petition Date, and November 28, 2022.

- xii. Attach screenshots of messages received by users when attempting to transfer assets from an Earn account to a Withhold account.**

25. Prior to the Pause, when an account holder attempted to transfer coins balances from his or her Earn account to his or her Withhold account by accessing his or her accounts from the Celsius web application, the following prompt appeared before such account holder could finalize such transfer:



26. Prior to the Pause, when an account holder attempted to transfer coins from his or her Earn account to his or her Withhold account by accessing his accounts from the Celsius mobile application, the following prompt appeared before such account holder could finalize such transfer:



[Remainder of Page Intentionally Left Blank.]

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing statements are true and correct to the best of my knowledge, information, and belief.

Dated: December 1, 2022

/s/ Oren Blonstein

Name: Oren Blonstein

Title: Head of Innovation and Chief

Compliance Officer, Celsius Network Limited

Exhibit A

[illegible]

Exhibit B

| COIN | As of the Pause | | | As of the Petition | | | As of the Present Time | | |
|--------|-----------------|------------|-------------|--------------------|------------|-------------|------------------------|------------|-------------|
| | Liabilities | Assets | Difference | Liabilities | Assets | Difference | Liabilities | Assets | Difference |
| 1INCH | (36,703) | 31,221 | (5,482) | (36,607) | 36,607 | (0) | (36,607) | 36,607 | (0) |
| AAVE | (3,946) | 2,041 | (1,905) | (4,042) | 4,316 | 274 | (4,043) | 4,316 | 273 |
| ADA | (7,306,923) | 5,067,955 | (2,238,968) | (8,545,903) | 8,545,903 | (0) | (8,586,387) | 8,545,903 | (40,484) |
| AVAX | (42,096) | 23,156 | (18,939) | (42,749) | 42,668 | (81) | (43,087) | 43,129 | 41 |
| BADGER | (84) | 0 | (84) | (282) | 439 | 157 | (282) | 439 | 157 |
| BAT | (2,385,596) | 199,913 | (2,185,683) | (2,378,509) | 2,378,509 | 0 | (2,378,509) | 2,378,509 | 0 |
| BCH | (1,045) | 618 | (427) | (1,088) | 1,092 | 4 | (1,088) | 1,092 | 4 |
| BNB | (62) | 62 | 0 | (62) | 62 | 0 | (62) | 62 | 0 |
| BNT | (9,327) | 8,556 | (771) | (9,451) | 9,553 | 102 | (9,451) | 9,553 | 102 |
| BSV | (1,081) | 438 | (643) | (1,094) | 1,094 | 0 | (1,094) | 1,094 | 0 |
| BTC | (3,811) | 2,569 | (1,242) | (3,801) | 3,522 | (278) | (3,809) | 3,534 | (275) |
| BUSD | (154,709) | 136,803 | (17,906) | (157,750) | 157,750 | (0) | (157,750) | 157,750 | (0) |
| CEL | (3,195,234) | 1,210,940 | (1,984,294) | (3,296,215) | 1,910,422 | (1,385,792) | (3,296,337) | 1,910,422 | (1,385,915) |
| COMP | (985) | 672 | (313) | (990) | 990 | 0 | (990) | 990 | 0 |
| CRV | (6,469) | 3,744 | (2,726) | (6,469) | 6,469 | (0) | (6,469) | 6,469 | (0) |
| DASH | (2,016) | 1,447 | (569) | (1,969) | 1,969 | 0 | (1,969) | 1,969 | (0) |
| DOGE | (3,756,932) | 3,622,840 | (134,093) | (3,842,895) | 3,842,895 | 0 | (3,898,820) | 3,843,364 | (55,457) |
| DOT | (155,489) | 125,185 | (30,305) | (161,047) | 161,047 | 0 | (161,246) | 161,047 | (199) |
| EOS | (47,102) | 27,257 | (19,845) | (92,357) | 92,357 | (0) | (92,357) | 92,357 | (0) |
| ETC | (7,904) | 7,339 | (565) | (8,380) | 8,292 | (88) | (8,400) | 8,300 | (100) |
| ETH | (22,187) | 27,136 | 4,948 | (47,067) | 42,348 | (4,720) | (47,173) | 42,377 | (4,796) |
| GUSD | (3,974,341) | 1,954,097 | (2,020,244) | (5,903,741) | 4,638,752 | (1,264,989) | (5,879,976) | 4,638,752 | (1,241,224) |
| KNC | (39,002) | 37,910 | (1,091) | (39,099) | 39,410 | 311 | (39,169) | 39,410 | 242 |
| LINK | (560,155) | 401,654 | (158,502) | (621,601) | 495,557 | (126,044) | (621,862) | 495,668 | (126,194) |
| LPT | (969) | 1,021 | 52 | (971) | 1,021 | 50 | (971) | 1,021 | 50 |
| LTC | (18,804) | 14,060 | (4,744) | (17,459) | 17,459 | (0) | (17,472) | 17,460 | (12) |
| LUNC | (31,128,743) | 26,188,786 | (4,939,957) | (31,333,153) | 31,188,786 | (144,367) | (31,333,454) | 31,188,786 | (144,668) |
| MANA | (267,603) | 164,163 | (103,440) | (285,196) | 285,196 | (0) | (285,201) | 285,196 | (6) |
| MATIC | (6,407,650) | 4,955,835 | (1,451,815) | (6,631,626) | 6,634,314 | 2,688 | (6,639,590) | 6,636,306 | (3,284) |
| MCDAI | (770,718) | 468,665 | (302,053) | (433,976) | 468,665 | 34,689 | (431,222) | 468,665 | 37,444 |
| MKR | (3) | 0 | (3) | (3) | 4 | 0 | (3) | 4 | 0 |
| OMG | (5,920) | 5,893 | (27) | (5,920) | 5,992 | 72 | (5,921) | 5,992 | 71 |
| PAX | (561,856) | 279,899 | (281,957) | (569,282) | 393,165 | (176,117) | (568,759) | 393,165 | (175,594) |
| PAXG | (2,297) | 308 | (1,989) | (2,318) | 2,117 | (201) | (2,318) | 2,117 | (200) |
| SGB | (563,121) | 558,228 | (4,893) | (565,023) | 565,228 | 205 | (565,023) | 565,228 | 205 |
| SNX | (196,149) | 154,363 | (41,785) | (205,157) | 205,157 | (0) | (205,157) | 205,157 | (0) |
| SOL | (74,920) | 50,513 | (24,407) | (78,666) | 78,666 | 0 | (78,720) | 78,706 | (14) |
| SPARK | (414,442) | 0 | (414,442) | (414,442) | 0 | (414,442) | (414,442) | 0 | (414,442) |
| SUSHI | (13,914) | 10,327 | (3,587) | (14,423) | 14,673 | 250 | (14,423) | 14,673 | 250 |

| COIN | As of the Pause | | | As of the Petition | | | As of the Present Time | | |
|------------|-----------------|------------|-------------|--------------------|------------|------------|------------------------|------------|------------|
| | Liabilities | Assets | Difference | Liabilities | Assets | Difference | Liabilities | Assets | Difference |
| TAUD | (0) | 0 | 0 | (0) | 0 | 0 | (0) | 0 | 0 |
| TCAD | (6) | 6 | 0 | (6) | 6 | 0 | (6) | 6 | 0 |
| TGBP | (77,578) | 77,578 | (0) | (77,578) | 77,578 | (0) | (77,578) | 77,578 | (0) |
| THKD | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TUSD | (292,279) | 276,023 | (16,256) | (291,142) | 291,142 | (0) | (291,142) | 291,142 | (0) |
| UMA | (2,587) | 1,378 | (1,209) | (2,603) | 2,603 | 0 | (2,603) | 2,603 | 0 |
| UNI | (41,259) | 25,267 | (15,992) | (45,893) | 45,893 | (0) | (45,893) | 45,893 | (0) |
| USDC | (40,652,330) | 34,162,224 | (6,490,107) | (36,987,697) | 36,124,008 | (863,689) | (36,999,174) | 36,124,008 | (875,166) |
| USDT ERC20 | (2,087,748) | 1,792,723 | (295,026) | (2,172,317) | 1,939,202 | (233,116) | (2,163,329) | 1,939,202 | (224,127) |
| UST | (699,390) | 751,920 | 52,530 | (851,327) | 851,127 | (200) | (864,551) | 851,327 | (13,224) |
| WBTC | (1) | 1 | 0 | (1) | 1 | 0 | (1) | 1 | 0 |
| XEC | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| XLM | (2,930,270) | 2,379,783 | (550,488) | (4,221,449) | 4,221,449 | 0 | (4,221,472) | 4,221,469 | (2) |
| XRP | (3,515,169) | 3,413,682 | (101,487) | (3,408,767) | 3,413,682 | 4,915 | (3,408,838) | 3,413,682 | 4,845 |
| XTZ | (47,452) | 31,638 | (15,814) | (47,457) | 47,500 | 43 | (47,500) | 47,500 | (0) |
| YFI | (0) | 0 | 0 | (0) | 0 | 0 | (0) | 0 | 0 |
| yveCRV-DAO | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ZEC | (2,263) | 2,431 | 168 | (2,336) | 2,431 | 95 | (2,341) | 2,431 | 90 |
| ZRX | (233,347) | 179,878 | (53,469) | (246,291) | 246,291 | 0 | (246,473) | 246,291 | (181) |
| ZUSD | (0) | 1 | 1 | (0) | 1 | 1 | (0) | 1 | 1 |